House of Assembly
Nova Scotia

REPORT

OF THE

SELECT COMMITTEE

ON

TRADE NEGOTIATIONS

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REPORT OF THE NOVA SCOTIA HOUSE OF ASSEMBLY

Select Committee on Trade Negotiations

Established by Resolution 609, introduced Wednesday, May 27, 1987, with the commitment to:

Review the details of the proposed Free Trade Agreement between Canada and the United States;

Assess its value to the general economic and specific trade goals of the province;

Seek further inputs from the industries and the province, as required, and,

Report and recommend to the government on Nova Scotia's position in any federal-provincial ratification process.

The Committee:

Chairman: Mr. Donald Cameron, MLA Pictou East

Members: The Honourable Roland J. Thornhill,
Minister of Development

The Honourable Roger Bacon,
Minister of Agriculture

The Honourable Ron Giffin,
Chairman of the Policy Board

Dr. Merryl Lawton, MLA Digby

Mr. John Newell, MLA Cape Breton The Lakes

Mr. Vincent MacLean, Leader of the Opposition

Mr. Guy Brown, MLA Cumberland Centre

Mr. Bob Levy, MLA Kings South

Secretary, Joan Kelly

Research/Writer, Doug Fraser

INTRODUCTION

More than forty written and oral submissions were received and a majority of those making presentations were either opposed to the agreement or expressed serious reservations about the deal.

Concentrating on specific problems, opposition members of the committee were opposed to the free trade agreement but all members of the committee recognize that the agreement will be signed and proceeding on that assumption, will address various concerns that were expressed to us. Our recommendations are made in that context.

The committee's terms of reference called on the committee to assess the value of the free trade agreement to the economy and specific trade goals. However, in circumstances where an economic sector or industry did not appear before the committee, recommendations were not made in that context.

SECTORAL SUBMISSIONS

FISHING

Mr. Gordon Cummings of National Sea supported the free trade agreement and said it was a means of disarming American protectionism at a critical time. Its provisions would alleviate inequities from countervail action under the current American system. The agreement gives Nova Scotia's fishing industry access to our closest, largest, and wealthiest market. He said Nova Scotia plants and workers could compete successfully with New England facilities in efficiency and labour costs.

The Seafood Producers Association of Nova Scotia supported the free trade agreement and noted its benefits in circumventing protectionism at a time when U.S. supplies of seafood were declining and our market opportunities are growing. SPANS said it was in the best interests of Nova Scotia to achieve an agreement with our best and closest customer.

The Canadian Auto Workers Union, which represents some of the people employed in fishing and fish processing, expressed concern over the outlook for processing plants in Nova Scotia when the free trade agreement goes into effect.

AGRICULTURE

Agriculture representatives recognized there were some aspects of the free trade agreement that would be beneficial to agriculture and to the economy of Canada but consideration must be given to those who would be harmed. The industry supports enhanced trade but does not believe Canadians would approve a vertically integrated corporate type of agriculture.

Sectors such as red meat, soft fruits, and vegetable operations saw opportunities in the trade agreement and the view was also expressed that it was becoming more apparent that it was also time that Canadians got their own house in order with respect to regional disparities and inter-provincial trade.

Questions were also raised about the implications for agriculture of the energy package and also about the agreement's investment provisions. The submission said that while a good trading relationship must be maintained with the United States, our industries must be protected as a distinct part of the national fabric and not dissipated in return for other considerations.

AGRICULTURE (Continued)

Representatives of the Dairy Farmers of Canada and the Nova Scotia Milk Producers Association had strong reservations on the impact of the trade agreement on their industry and called for a clear commitment by the federal government to amend the import/export legislation as industry safeguards. The poultry and egg sector asked for regulatory protection in content of imports; egg producers requested maintenance of sizing practices.

TEXTILES AND APPAREL

The Britex submission noted their disappointment over provisions appearing in the final text of the agreement which nullified advantages of using imported yarns in Canadian processed cloth and apparel woven from imported yarns. Such items would not be acceptable for sale in the United States under free trade provisions.

The Chairman of Britex, Mr. Sandy Archibald, said his firm approved free trade in principle and would energetically pursue new opportunities although the transitional period would be a time of challenge. His company was determined to compete in a new market situation and, like other firms, would need additional investment in research and development, in new technology, in equipment and in additional marketing efforts. He noted that R & D in Canada was running at 0.7 per cent compared to 2 per cent in the United States.

It is apparent that the implications of the trade agreement on the textile and apparel industries in Nova Scotia are far from clear and it would appear that different sectors are affected in different ways. The implications and complexity of the terms of the agreement are such that this committee is unable to come to any firm conclusions or develop any firm recommendations.

OFFSHORE TRADE

The Offshore Trade Association of Nova Scotia favoured the concept of free trade and endorsed it in principle but assurances were needed that it benefit offshore trade in Nova Scotia. OTANS was concerned that much new investment would be going to the West, as well as being concerned that firms would come here and do business with the companies they have been associated with, instead of with Nova Scotia companies.

Company principals representing the Halifax Board of Trade favoured free trade, taking the position that an open and competitive market for the sale of our knowledge and services would only strengthen our ocean industry and particularly the professional and high-tech service opportunities.

SHIP CONSTRUCTION AND REPAIR

Representatives of the Union of Marine and Shipbuilding Workers of Canada said that even with the potential of an overall increase in jobs in the region and in Canada, there would be a general upheaval and dislocation of industrial activity. They questioned if the results would be worth it, let alone the threats to our social, cultural, and sovereignty standards and values.

The union noted that because Canada had not implemented the UNCTAD proposals (i.e. the 40-40-20 rule) a vacuum existed in Canadian shipping policy that threatened our shipbuilding industry. The United States had adopted the formula and would have the best of the bargain.

SHIP CONSTRUCTION AND REPAIR (Continued)

The union position was that our steel industry would be affected by free trade; U.S. yards would enjoy American naval and commercial business because of their protectionist laws and Canadian work would go to American yards. Nova Scotia firms like the Trenton Car Works, Robb Engineering and other provincial enterprise would be negatively affected.

Mr. Jim Bell said it was significant that while vessels of more than 33 meters in length could be imported into Canada duty free, components for craft of that size were subject to duty even when incorporated into Canadian-built vessels. He also called for regulations requiring that fishing vessels be built in the country which issues their fishing licenses. He also referred to the federation regulation which protects shipping west of Anticosti Island for pick-up and lay-down trade, but east of that line (Atlantic Canada) such traffic is open to ships of any flag. He noted that Canada provided various services in Arctic waters: ice-breaking, navigational aids, search and rescue, et cetera, but the benefits of shipping and trade did not fall to Canada.

TECHNOLOGY AND RESEARCH

The Nova Scotia Confederation of University Faculty Associations emphasized their view of the importance of education and intellectual resources in economic competition in today's environment, describing knowledge as the primary commodity on which our economy is based. It is believed important that more money be provided for advanced education to counteract the perceived loss of government assisted programs and to help meet the competitive challenge to Canadian enterprise by American educational programs.

The brief by Mr. Joe Morley, a retired engineer, said that with our resource sectors such as the fishery operating at near capacity, if Nova Scotia was to take advantage of expanded free trade the additional exports must come from the industrial sector and that would require the latest technologies. He said that small and medium-sized firms could not afford engineering staff assigned to research and development and means should be found to assist that element in our industrial sector.

LABOUR ORGANIZATIONS

Organized labour briefs and presentations declared their unequivocal opposition to free trade and expressed grave concern that social and economic gains would be dissipated.

The principle and importance of trade to the economies of Nova Scotia and Canada were recognized and the Nova Scotia Federation of Labour favoured a fair trade arrangement, but they said that Canadians had been assured that unless there was a good deal there would be no deal. Canada's pre-requirements should be secure and improved access for Canadian products in the American market: continuance of regional development programs and social programs; and a joint Canada-U.S. panel with binding power to settle trade disputes.

Submissions by the labour organizations reflected their concerns that the free trade agreement would result in major job loss.

WOMEN'S ISSUES

The submission by the Nova Scotia Advisory Council on the Status of Women expressed concern about the impact of a free trade agreement on all Canadians, and specifically on Nova Scotia women and their families. The council's two principal concerns were: (1)

WOMEN'S ISSUES (Continued)

dislocation and the loss of jobs for Nova Scotia women, and (2) the erosion of hard-won social and employment programs gained by Canadian women over the past twenty years.

The submission called for formal guarantees for retraining and job opportunities where job loss was the direct or indirect result of the agreement. It also called for retention and expansion of social and economic programs leading to full equality for women.

The Women's Action Coalition of Nova Scotia strongly criticized federal efforts to impose free trade under conditions which would be harmful to Nova Scotia and particularly to Cape Breton. It also declared that issues which concern women were bypassed, including the increasing flow of pornography into Canada from the United States, as would happen under the agreement.

ARTS AND CULTURE

Submissions in this area of interest expressed general concerns over unfavourable effects on the arts in Canada from the free trade agreement. It said the agreement was being instituted with undue haste and without sufficient consideration of the problems and dislocations, as well as the erosion of our arts and cultural activities.

The concern was also expressed that even if culture was off the table in trade negotiations, cultural activities would become even more vulnerable to overpowering American influence.

This report and recommendations to the Government of Nova Scotia are respectfully submitted.

(Signed) DONALD CAMERON (Chairman)
ROLAND THORNHILL
ROGER BACON
RONALD GIFFIN
MERRYL LAWTON
JOHN NEWELL
VINCENT MACLEAN
GUY BROWN

RECOMMENDATIONS

The committee believes that the following requirements are essential to the free trade agreement and recommends that:

(1) Unrestricted capacity for regional development programs must be protected. Nova Scotia, as a prime beneficiary of regional programs shall be a full partner in the process of defining, over the next five to seven years, what will be considered a subsidy under terms of the agreement.

(2) Canada's network of social programs must be maintained and Canadian sovereignty in the development of such programs must remain in effect, now and in the future.

(3) Adjustment programs for adversely affected individuals must be provided and must include federal funding for the retraining and relocation of workers, as well as early retirement.

(4) Business adjustment programs must be supported by the federal and provincial governments. After appropriate consultations with the Nova Scotia Union of Municipalities, municipal taxes on machinery and equipment should be abolished. In recognizing that the level of research and development efforts in the United States is at 2 per cent of GNP, and that the level in Canada is 0.7 per cent with expenditures in Atlantic Canada at less than half the Canadian average, this committee recommends the development of new markets through enhancement of the provincial trade development authority, extension of trade delegation activity and the establishment of a standing legislative committee on trade.

The committee recognizes the need for a broad range of adjustment programs for industries to enable them to survive and take full advantage of access to new trade opportunities, and further recognizes that the primary responsibility for adjustment programs rests with the federal government.

The committee is conscious of and concerned about the substantive possibility that these adjustment problems may attract countervail activities from the United States, and urges clarification of the impact of the free trade agreement on Canada's capacity to implement these adjustment programs.

(5) In recognition of the low level of research and development effort in Canada compared to that of the United States, the committee recommends that the federal government in partnership with the Atlantic provinces, should establish effective programs to achieve substantially increased private sector research and development activity in the Atlantic region.

(6) The committee calls for federal and provincial governments to endorse the recommendations of the House of Commons Committee on External Affairs and International Trade that Canada be exempt from the Omnibus Trade Bill before the United States Congress and which, if passed, would nullify the basis for the trade agreement.

(7) The committee recommends that the Nova Scotia government call on the federal government to eliminate concerns in the agricultural sector over threats to the supply management system in the free trade agreement. And with regard to the foregoing, that administrative controls and policy on the cross-border flow of agricultural products be made more effective and consistent.

RECOMMENDATIONS (Continued)

We recommend to the provincial government that the federal government carry out the following:

(a) Amend the Import List to ensure full coverage of milk and dairy products before the agreement goes into effect;

(b) Amend Schedule C of the Customs Act to include imitations and substitutes of dairy products;

(c) Make a commitment to prevent trade inequities occurring from tariff removals on items such as cross-border milk;

(d) Clarify impact of agreement on federal direct payment on industrial milk and on current administration of the milk supply management program.

Prior to signing an agreement, clarify how and when and under what conditions poultry products not now included would be added to the Import Control List, and how appropriate compensation would be provided.

Insist that the Import Control List be amended immediately to include all poultry products containing at least 10 per cent poultry by volume.

Make the Canadian Egg Marketing Agency the sole importers of all shell eggs; review current efforts to harmonize standards (sizes), and design an adjustment package for producers harmed by the agreement.

(8) The committee recommends that assurances be sought that garments made in Canada from duty-free imported yarns may be sold in the United States without penalty and that duty remission procedures be refined.

The committee further recommends that a special Cabinet committee with expert support from the industries, be established to look into problems affecting the textile and apparel industries in Nova Scotia and to make recommendations.

(9) The committee recommends establishment of a shipbuilding policy similar to the United States Jones Act, and to ensure that all vessels operating under Canadian fishing licences be built in Canada, and elimination of duties on components installed in Canadian built vessels in excess of 33 meters, to equalize duty-free importation of vessels of that length.

(10) The committee further recommends to the Government of Nova Scotia that the Government of Canada be asked to seek clarification of Section 2005 (cultural and artistic safeguards) at some future point in the ongoing process, to ensure that our cultural industries are conserved and protected under 2005.1 and that 2005.2 be deleted if, as seems apparent, it supersedes the former.

LIBERAL PARTY APPENDIX

The Liberal Party has traditionally been Canada's leading advocate of a reduction in trade barriers and elimination of trade restrictions where practical. Nova Scotia Liberals, indeed Liberals from across Canada, remain supportive of efforts to expand markets for Canadian goods and services, as well as to provide Canadian consumers with the widest range of products available. In short, the Liberal members of this committee and the Nova Scotia Liberal Party support the principle of free trade.

However, the Canada-U.S. Trade Agreement goes far beyond matters of trade. It is an agreement which, if ratified, will permit American interests to influence Canadian economic, social and political decisions. It is an agreement which poses a distinct threat to a number of Nova Scotian industries and Nova Scotian workers. It is an agreement which does not specifically protect Canadians from punitive American protectionism.

The Nova Scotia Legislature's Select Committee on Free Trade heard from a cross-section of Nova Scotians. As the public hearings proceeded, it became clear Nova Scotians do not like the Mulroney trade deal. Liberal members of this committee share that opinion. Nova Scotians are equally concerned about the process, which culminates January 2nd, when this agreement is signed. Nova Scotians, Canadians have been given less than a month to study the details of a treaty that can fundamentally alter the economic nature and social character of Canada.

The recommendations contained in the select committee report are basically a series of conditions to be met before the government of Nova Scotia should endorse the Canada-U.S. Trade Agreement. But while the government members on the committee share this view, as evidenced by the preamble to the recommendations, they were not prepared to back a recommendation that the Liberal Party feels is essential for Nova Scotia. In reality Canada is days away from signing this agreement, and the conditions contained in these recommendations have not, nor will they be met in the next three days.

It is therefore clear to the Liberal members of the select committee that two basic recommendations should be included. These are:

(1) That the committee recommend to the Government of Nova Scotia that it NOT endorse the Canada-U.S. Trade Agreement, and;

(2) That the Government of Nova Scotia urge the Prime Minister of Canada to delay signing the agreement, and reopen negotiations toward an agreement which meets the conditions set out by this committee and also recognizes Canada's sovereign right to make political, social and economic decisions in our own best interests.

The Liberal members of the committee are not assured by promises from Ottawa that regional development is unaffected by the terms of the trade agreement. Until there is a clear understanding between the parties to the agreement as to what constitutes a subsidy, and what subsidies will attract countervail action, we cannot be comforted by the Prime Minister's assurances. A government of Nova Scotia which endorses the trade deal with these questions outstanding is irresponsible.

We cannot accept the open door policy respecting American investment and ownership in Canada, as contained in this agreement. By permitting almost unrestricted American ownership of Canadian business, industry and resources, Canada is inviting a situation where business profits flow out of this country and into the United States. These profits are the capital we will require in Canada to expand our economic base and create the quality jobs to which Canadians are entitled.

LIBERAL PARTY APPENDIX (Continued)

Canadians have been assured our cultural industries are protected. But ambiguities in the text of the trade agreement leave this open to interpretation. Can our unique Canadian publishing or film-making industries survive an onslaught from their giant American counterparts?

A nation which aspires to progress and improve the quality of life of its citizens must be free to set its own course. Canada must be unrestricted in its ability to address social and economic inequities which exist across the country. We must be free to develop our resources to meet the needs of Canadians.

Canada is and must remain a trading nation. But we must also jealously guard our right and ability to determine our own future. This trade agreement compromises that right and ability, and should therefore be rejected.

SUBMISSIONS

Submissions were made before the select committee at public hearings by:

Mr. John Dunsworth
Mr. Tony Foster
Mr. Melvin MacLeod
Mr. Barry Burley
Ms. Mary Sparling
Mr. Ian Cowie
Mr. Bill Stevenson
Mr. Ed McCurdy
Ms. Mary DeWolfe
Arts in Canada

Ms. Joanne Lamey, Executive Officer
Ms. Carolyn MacGregor, President
Atlantic Publishers Association

Mr. Sandy Archibald, Chairman
Mr. Dave Graham, President
Britex Limited

Mr. Larry Wark, National Staff Representative, Atlantic Canada
Canadian Auto Workers Union

Mr. Peter O'Brien, Executive Director
Canadian Federation of Independent Business

Mr. John Veniot, Vice-President
Canadian Manufacturers Association

Mr. Gary Foran, President, Local No. 361
Canadian Union of United Brewery, Flour, Cereal and
Soft Drink Distillery Workers

Mr. Tom Webb
Mr. Sidney Pobihushchy
Ms. Jean MacGillivray
Co-op Atlantic

Mr. Paul Bychok, Executive Director
Council of Canadians

Mr. Joe Morley, Vice-President
Cumberland/Colchester Liberal Association

Mr. Ron Gourley, Director
Mr. John Van de Riet
Mr. Dan Hill
Mr. Gerry Fulton
Mr. Barron Blois
Dairy Farmers of Canada

SUBMISSIONS (Continued)

Mr. John Henderson
Echodale Farms

Mr. Charles Stock, President
Mr. John Landry
Mr. David Lyons
Mr. Hector Jacques
Mr. Thomas Nisbett
Halifax Board of Trade

Mr. Paul Burgwin
Mr. Fred Lutley
Halifax-Dartmouth and District Labour Council

Mr. Les Holloway, Secretary-Treasurer and Business Agent
Industrial Union of Marine and Shipbuilding Workers of Canada, Local No. 1

Mr. Jim Laceby

Mr. J.K. Bell, General Representative
Mr. Rick Clarke, Secretary-Treasurer
Marine Workers Federation

Mr. D.F. Farmer, Vice-President, Corporate Development
Mr. Phil Henderson, General Manager
Maritime Telegraph & Telephone Company Limited

Mr. Hugh McLean

Mr. Lawrence O'Neil
Member of Parliament for Cape Breton Highlands-Canso

Mr. Gordon Cummings, President
National Sea Products Limited

Ms. Debi Forsyth-Smith, President
Ms. Jane Wright, Researcher
Nova Scotia Advisory Council on the Status of Women

Mr. John D'Orsay, Executive Director
Nova Scotia Confederation of University Faculty Associations (NSCUFA)

SUBMISSIONS (Continued)

Mr. Don Downe
Mr. John Vissers
Mr. Lester Settle
Mr. Peter Wyle
Mr. John Van de Riet
Mr. Rick Williams
Mr. Joe Ueffing
Mr. Bernie Te Stroete
Mr. Casey Ansems
Mr. Dan Lynch
Mr. Mark Hatt
Mr. Malcolm Logan
Mr. Laurie Hennigar
Mr. George Burris
Nova Scotia Federation of Agriculture

Ms. Gwen Wolfe, President
Mr. Leo McKay, Executive Secretary
Nova Scotia Federation of Labour

Mr. Greg Blanchard, President
Mr. Reg Lownie, Research Officer
Nova Scotia Government Employees Union

Mr. Dennis Rodgers, Chairman
Offshore Trade Association of Nova Scotia

Mr. Roger Stirling, President
Seafood Producers Association

Reverend Hugh MacDougall
Scarboro Foreign Mission Society

Mr. Angus MacIsaac, President
Strait of Canso Industrial Development Authority

Mr. John Thadin

Mr. Joe Burke, President
United Mine Workers Union

Mr. Bob Young, Subdistrict Director
United Steelworkers of America

Ms. Marion Mathieson, Secretary-Treasurer
Women's Action Coalition

SUBMISSIONS (Continued)

Submissions were received from:

Mr. Greg Blanchard,
Nova Scotia Government Employees Union

Mr. Paul Bychok,
Council of Canadians

Mr. E. Wendell Coldwell,
Cape Breton Chapter Council of Canadians

Mr. D.F. Farmer,
Maritime Telegraph & Telephone Company Limited

Mr. Gary Foran,
Brewery and Soft Drink Workers

Mr. Bill Fraser,
Industrial Cape Breton Board of Trade

Mr. Leonard O. Giffin,
Halifax Board of Trade

Mr. Ronald Gourley,
Dairy Farmers of Canada

Mr. Sergio Greguoldo,
Agriculture Sector, Voluntary Planning

Mr. J.M. MacConnell,
Scotsburn Co-operative Services Limited

Ms. Dawn MacKeigan,
CUPE, Local 3131

Ms. Marion Mathieson,
Women's Action Coalition of Nova Scotia

Mr. Joe Morley,
Cumberland/Colchester Liberal Association

Mr. John Veniot,
Canadian Manufacturers' Association

Mr. Anthony Weagle

Ms. Gwen Wolfe,
Nova Scotia Federation of Labour